

Mr. Alan Hughes, Administrator
Abbeville Nursing Home, Inc.
Post Office Box 190
Abbeville, South Carolina 29620

Re: AC# 3-ABV-J4 – Abbeville Nursing Home, Inc.

Dear Mr. Hughes:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1993 through September 30, 1994. That report was used to set the rate covering the contract periods beginning October 1, 1995.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Edgar A. Vaughn, Jr., CPA
State Auditor

EAVjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll

ABBEVILLE NURSING HOME, INC.

ABBEVILLE, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1995
AC# 3-ABV-J4**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 1995	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIODS OCTOBER 1, 1995 THROUGH SEPTEMBER 30, 1996	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1994	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	8

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 14, 1997

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Abbeville Nursing Home, Inc., for the contract periods beginning October 1, 1995 and for the twelve month cost report period ended September 30, 1994, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Abbeville Nursing Home, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Abbeville Nursing Home, Inc., dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 14, 1997

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Edgar A. Vaughn, Jr., CPA
State Auditor

ABBEVILLE NURSING HOME, INC.
Computation of Rate Change
For the Contract Periods
Beginning October 1, 1995
AC# 3-ABV-J4

	<u>10/01/95-</u> <u>09/30/96</u>
Interim reimbursement rate (1)	\$81.04
Adjusted reimbursement rate	<u>80.54</u>
Decrease in reimbursement rate	\$ <u><u>.50</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 15, 1997

ABBEVILLE NURSING HOME, INC.

Computation of Adjusted Reimbursement Rate

For the Contract Periods October 1, 1995 Through September 30, 1996

AC# 3-ABV-J4

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$ -	\$41.69	\$40.58	\$40.58
Dietary	<u>.64</u>	<u>8.48</u>	<u>9.21</u>	<u>8.48</u>
Subtotal	\$ <u>.64</u>	50.17	49.79	49.06
Laundry/Housekeeping/Maint.	\$ -	7.95	7.21	7.21
Administration & Med. Rec.	<u>2.22</u>	<u>6.15</u>	<u>8.37</u>	<u>6.15</u>
Subtotal	\$ <u>2.22</u>	64.27	\$ <u>65.37</u>	62.42
<u>Costs Not Subject to Standards:</u>				
Utilities		2.29		2.29
Special Services		-		-
Medical Supplies & Oxy.		1.64		1.64
Taxes and Insurance		1.33		1.33
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		\$ <u>69.53</u>		67.68
Inflation Factor (6.30%)				4.26
Cost of Capital				7.10
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.22
Cost Incentive - For Gen. Serv. & Dietary				.64
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(1.36)</u>
 ADJUSTED REIMBURSEMENT RATE				 \$ <u>80.54</u>

ABBEVILLE NURSING HOME, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1994
AC# 3-ABV-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,395,831	\$ -	\$ -	\$1,395,831
Dietary	283,990	-	-	283,990
Laundry	73,075	1,193 (3)	-	74,268
Housekeeping	129,088	219 (3)	-	129,307
Maintenance	61,810	865 (3)	-	62,675
Administration & Medical Records	212,112	-	6,282 (3)	205,830
Utilities	87,196	-	10,625 (3)	76,571
Special Services	-	-	-	-
Medical Supplies & Oxygen	54,807	-	-	54,807
Taxes & Insurance	43,402	1,115 (3)	-	44,517
Legal Fees	50	-	-	50
Cost of Capital	237,917	782 (4)	109 (1)	237,678
			<u>912 (3)</u>	
Subtotal	2,579,278	4,174	17,928	2,565,524

ABBEVILLE NURSING HOME, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1994
AC# 3-ABV-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	40,048	-	-	40,048
Non-Allowable	<u>24,499</u>	<u>14,427</u> (3)	<u>782</u> (4)	<u>38,144</u>
Total Operating Expenses	<u>\$2,643,825</u>	<u>\$18,601</u>	<u>\$18,710</u>	<u>\$2,643,716</u>
TOTAL BEDS	<u>94</u>			TOTAL PATIENT DAYS <u>33,483</u>

ABBEVILLE NURSING HOME, INC.
Adjustment Report
Cost Report Period Ended September 30, 1994
AC# 3-ABV-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Movable Equipment	\$ 3,156	
	Accumulated Depreciation -		
	Land Improvements	48	
	Equity	12,268	
	Depreciation Expense -		
	Movable Equipment		\$ 109
	Land		14,846
	Accumulated Depreciation -		
	Movable Equipment		517
	To carry forward 9/30/90 balances and State Auditor's Office adjustments HIM-15-1, Section 2304		
2	Movable Equipment	6,551	
	Accumulated Depreciation -		
	Movable Equipment		6,551
	To properly record assets retired from active service but still at the facility HIM-15-1, Section 130		
3	Laundry	1,193	
	Housekeeping	219	
	Maintenance	865	
	Taxes, Insurance, & Licenses	1,115	
	Nonallowable	14,427	
	Administration		6,282
	Utilities		10,625
	Cost of Capital		912
	To properly state related party laundry cost HIM-15-1, Section 1005		
4	Cost of Capital	782	
	Nonallowable		782
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$40,624</u>	<u>\$40,624</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

ABBEVILLE NURSING HOME, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1994
AC# 3-ABV-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.9778</u>
Deemed Asset Value (Per Bed)	30,889
Number of Beds	<u>94</u>
Deemed Asset Value	2,903,566
Improvements Since 1981	222,817
Accumulated Depreciation at 9/30/94	<u>(613,145)</u>
Deemed Depreciated Value	2,513,238
Market Rate of Return	<u>0.072</u>
Total Annual Return	180,953
Return Applicable to Non-Reimbursable Cost Centers	(2,199)
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>896</u>
Allowable Annual Return	179,650
Depreciation Expense	58,766
Amortization Expense	900
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,638)</u>
Allowable Cost of Capital Expense	237,678
Total Patient Days (Minimum 97% Occupancy)	<u>33,483</u>
Cost of Capital Per Diem	\$ <u><u>7.10</u></u>

ABBEVILLE NURSING HOME, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1994
AC# 3-ABV-J4

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$5.33
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u><u>\$9.32</u></u>
Reimbursable Cost of Capital Per Diem	\$7.10
Cost of Capital Per Diem	<u>7.10</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>